Appendix II.

An Abstract of the Draft Scheme for the establishment of Agricultural Banks in Mysore.

I. Every Bank to be an association of landholders formed on strictly co-operative principles, not for the purpose of earning any profit divisible among its members, but for the purpose of obtaining money by their own united credit and lending it among themselves according to the actual requirements of each member to the extent the others have confidence in him.

II. There is to be no share capital; there may be a small irrecoverable entrance fee for membership.

III. The members to be elected with reference to their honesty, general character and habits.

IV. The members to contribute their liability only. They may practically limit this liability by prescribing that not more than a fixed sum is to be lent to any one man or that not more than another fixed sum is to be lent out in all.

V. Every member to be at liberty to resign at any time and thus escape from all further liability.

VI. The funds of the Bank to be raised by receiving deposits from the members or others or by loans from others.

VII. The security for repayment of the Bank's loan to one of its members is the borrower's own character and resources, and those of two sureties who should also be members.

VIII. No loan to any one who is not a member is to be made on any account.

IX. No loan to be made except for an approved purpose, which generally should be some operation, which by its profit, will repay the loan. It may in exceptional cases include an approved *bônâ-fide* domestic requirement. It should include the redemption of land from an existing mortgage, the liquidation of existing debts of any kind whatsoever, the purchase of agricultural stock, the extension of the holding, &c., always subject to the next condition regarding time for repayment.

X. The loan should generally be for less than one year when for the ordinary annual requirements of cultivation. It may be for longer periods, in which case the repayment should be by equal annual instalments well within the borrower's annual margin of profits.

XI. Every borrower should be bound to spend what he borrows for the express purpose for which he borrows. Default in this to lead to the recall of the loan by a three months' notice.

XII. Absolute punctuality of repayment to be strictly enforced.

XIII. The members to give their services gratuitously.

XIV. The funds raised by the Bank to be lent to its members at such moderate rates of interest as will leave the Bank a small margin for the actual expenses of management and the gradual formation of a Reserve Fund.

XV. The Reserve Fund to be used for the common purposes of the members but not to be divided among them. If the Bank is wound up, the Reserve to be used for some purpose of local utility.

XVI. The members of the Bank to be drawn from a limited area. The Bank to be essentially rural in its constitution.

XVII. The General Meeting to be the absolute final authority in all matters. An Executive Committee of five or less to meet monthly or oftener and to grant loans, receive deposits &c., and generally to conduct the business of the Bank. A larger committee to supervise the operations and especially to watch that borrowers fulfil the objects for which they borrow.